
An Introduction to CARE

Responsibilities of CARE for AB 2398
and Implementation of Carpet
Stewardship Plan



Agenda

- Introduction to CARE
 - Carpet Stewardship Organization (CSO) Requirements
- Status
 - Accounting
 - Sustainable Funding
 - Retailer and Manufacturer Education and Communications
 - Timetables
- Next Steps



California AB 2398

Legislation to increase the landfill diversion and recycling of post-consumer carpet generated in California.*

*AB 2398, pg 4



Background

- Signed by Governor September 30, 2010
- Carpet Stewardship Assessment of \$0.05/yd² on every square yard of carpet sold in California
- Assessments will begin July 1, 2011



Goals of CA Carpet Stewardship Program- Incentivize

- Growth of diversion of post-consumer carpets from landfills
- Growth of recycling of post-consumer carpet
- Recyclability of carpets
- Market growth of secondary products made from post-consumer carpet.



Who is Impacted?

- Carpet Manufacturers
- Importers
- Distributors
- Commercial Dealers
- Retailers
- Consumers
- Carpet Recyclers
- Plastics Compounders
- CARE (Carpet Stewardship Organization)
- CalRecycle (Program Manager)



Carpet America Recovery Effort (CARE)

- CARE will be the Carpet Stewardship Organization for AB 2398
 - ❑ Nationwide, voluntary 501 (c) (3) organization
 - ❑ Began in 2002
 - ❑ Members diverted 1.6 Billion lbs of carpet from the landfill from 2002-2009
 - ❑ <http://www.carpetrecovery.org>
- CARE represents >90% of US carpet manufacturers and 95% of carpet sold in the US
- Members include entrepreneurs, government representatives, carpet manufacturers, NGOs, suppliers



CARE and the Implementation of AB 2398



CARE Role as Carpet Stewardship Organization (CSO)

- Role: CARE is the sole Carpet Stewardship Organization (CSO) for AB 2398, until April 1, 2015.
 - A CSO is an organization appointed by one or more manufacturers to act as an agent on behalf of the manufacturer to design, submit, and administer a carpet stewardship plan.
 - An individual manufacturer may also submit a stewardship plan
 - After April 1, 2015, a carpet stewardship organization appointed by one or more manufacturers, may submit a plan.



CARE Responsibilities

- Develop an Approved Stewardship Plan
 - Submit Plan to CalRecycle by September 30, 2011
 - Final plan must be approved by CalRecycle by March 31, 2012
- Collect the Carpet Stewardship Assessment
- Negotiate Performance Goals with CalRecycle
 - The goals established in the plan shall, at a minimum, be equal to the goals established in the CARE MOU
- Distribute the Carpet Assessment Funds to Recipients
 - Meet the goals of AB 2398
- Measure and Report Performance through an annual report to CalRecycle



Requirements for Carpet Manufacturer

- Carpet manufacturer may join the CARE Stewardship Plan
 - Manufacturer may submit a Stewardship Plan to CalRecycle
- In order for the manufacturer to be included in the CARE Stewardship Plan, the manufacturer **must be a member of CARE**
 - Go to www.carpetrecovery.org to join CARE

IF YOU NEED A CARPET STEWARDSHIP PLAN, YOU'RE NOT ALONE.

The era of AB 2398 has begun. To comply with the new California law, all carpet manufacturers must register and submit a stewardship plan to CalRecycle. Fortunately, you don't have to do it alone. You can participate in the stewardship plan developed by Carpet America Recovery Effort (CARE). We can ensure that you comply with CalRecycle's requirements.

As of April 1, 2012, retailers and wholesalers will only be able to sell from manufacturers who are in compliance with AB 2398. So act now.

To participate in CARE's stewardship plan, go to www.carpetrecovery.org or call 706-428-2127.



Important Information for the Retailers

- Retailers may only sell carpets from manufacturers in compliance with AB 2398
- CalRecycle will post a list of manufacturers in compliance
 - ❑ Retailers are required to monitor the web site
 - ❑ If your carpet manufacturer is not on the list, please contact your sales rep or CARE
- If your carpet manufacturer is a member of CARE, the carpet manufacturer will be in compliance with the stewardship plan requirements



AB 2398 Requirements

- Starting July 1, 2011, carpet manufacturers will add an assessment of \$0.05/yd² on the purchase price of ALL carpet sold in California
- Retailers must pass the assessment on to consumers
 - ❑ Must make assessment visible on all invoices

JOE'S CARPET SHOP
INVOICE

BILL TO	Susie Quesue 456 Little Susie Way Somewhere, CA, 12345	SHIP TO	Susie Quesue 456 Little Susie Way Somewhere, CA, 12345
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Invoice #	1234567
Invoice Date	07/01/2011
Customer ID	123456

DATE	WORK ORDER #	OUR ORDER #	SALES REP.	P.O.B.	SHIP VIA	TERMS	TAX ID
7/1/2011	Susie Q.	9876543				Net 10 days	

QTY	UNITS	DESCRIPTION	UNIT PRICE	TOTAL
35	SY	Perfect Carpet, Color: Blue (12' x 26' 3")	4.56	159.60
45	SY	Perfect Carpet, Color: Blue (12' x 33' 8")	4.56	205.20
Sub Total				364.80
Tax @ 10%				36.48
CA Crpt Stewardship Assessment				4.00
Total				405.28

Installation Date	7/10/2011
Installer	Best Installer
Phone #	555-555-1234
Thank you for your business.	

Joe's Carpet Shop
 123 Somewhere St
 Somewhere, CA, 12345

PHONE: (555) 555-0125
 FAX: (555) 555-0126
 E-MAIL: joe@joescarpetshop.com

Sample – Two line broadloom invoice (SY) - Retailer

Additional Important Information for the Retailers

- CARE will consult with retailers in the development of the plan, in order to minimize the impact
- CARE will provide education and marketing materials to retailers

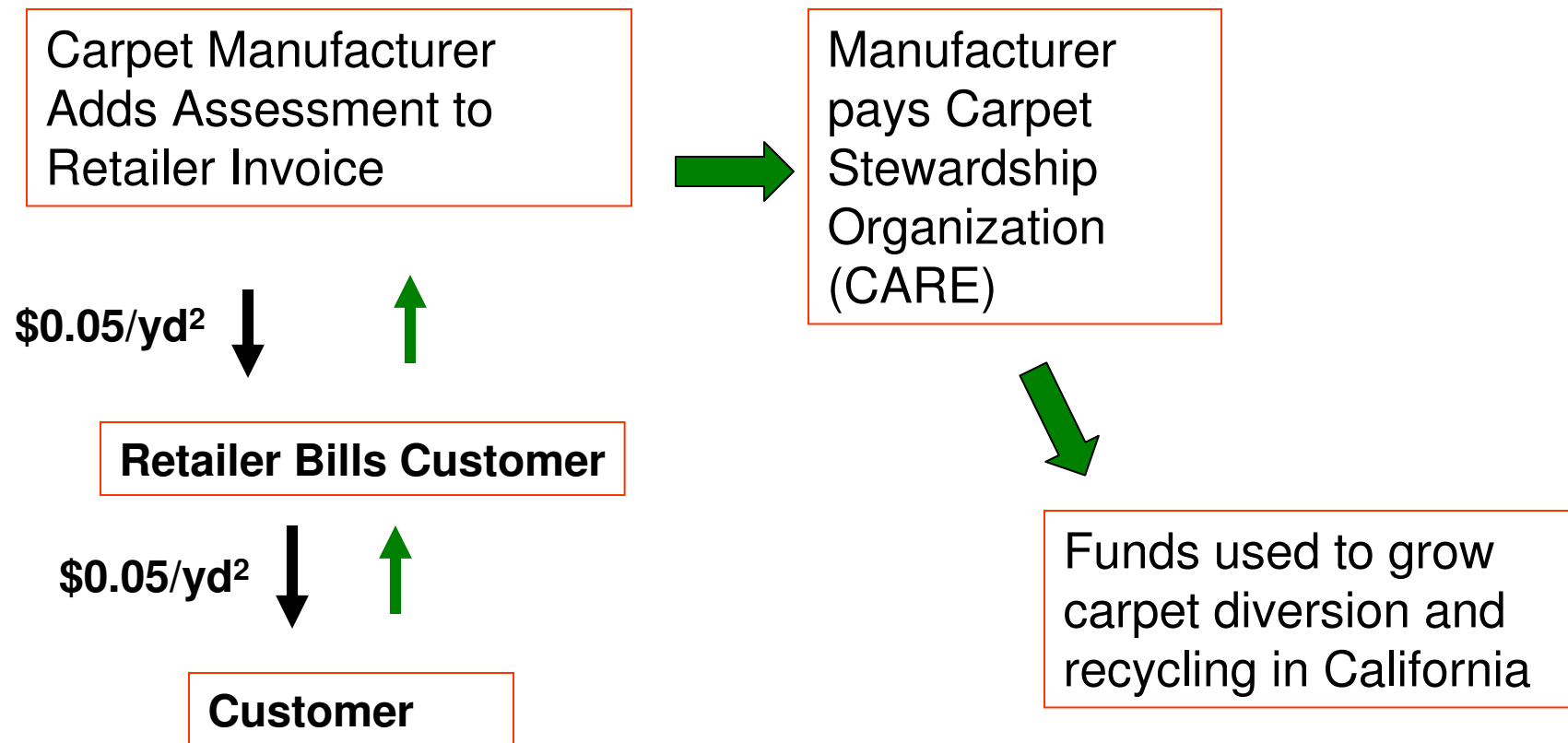


Penalties for Non-Compliance

- A civil penalty may be imposed by CalRecycle for anyone in violation of AB 2398
 - ❑ One thousand dollars (\$1,000) per day
 - ❑ Ten thousand dollars (\$10,000) per day if violation is intentional, knowing, or negligent
- Civil penalties may be imposed on any person who violates AB 2398
 - ❑ i.e. manufacturer, distributor, importer, wholesaler, retailer



Flow of Funds



Key Points for All Stakeholders

- Law goes into effect July 1, 2011
- Manufacturer will begin invoicing \$0.05/yd² on all carpet going into California
- Retailers will be required to invoice \$0.05/yd² to consumers and show the line item on the invoice
- Retailers will begin to receive communications from CARE in March, 2011
- Retailers will receive marketing support materials prior to July 1 launch



For More Information:

- ❑ http://info.sen.ca.gov/pub/09-10/bill/asm/ab_2351-2400/ab_2398_bill_20100930_chaptered.pdf
- ❑ www.carpetrecovery.org
- ❑ www.calrecycle.ca.gov
- ❑ FAQ for California AB 2398



Questions?



Accounting Procedures

Frank Hurd, Chairman, CARE Board
of Directors



Accounting Overview

- Provide best practice processes and enhance the system to support the submitted carpet stewardship plan for the carpet industry including Residential, Commercial, and Modular Carpet Tile.
- The Carpet Stewardship Plan will include support for:
 - ❑ Reporting Sales
 - ❑ Collection of Revenue
 - ❑ Audit capability for sales of carpet and carpet tile into the state of California
 - ❑ Remittance of Stewardship Assessment to CARE



Resources



- HA&W Accounting Firm
- Manufacturers' Accounting, Credit, IT and Communications Departments
- CalRecycle
- Importers, Distributors, and Wholesalers
- Residential Retailers and Commercial Dealers
- Software Vendors



Impacted Processes and/or Systems

■ **Master Data Management**

- CARE data tables

■ **Customer Support**

- Customer order value
- EDI/B2B/Mill
- Communication (Sales and Customer)

■ **Credit**

- Credit approval – order value
- Customer's credit approved not shipped

■ **Logistics**

- Build of billing tables

■ **Invoicing**

- Include line item for Stewardship Assessment

■ **Claims**

- Credit or Collect Stewardship Assessment

■ **Tax**

- Stewardship Assessment is not taxable

■ **Finance**

- Financial reporting
- CARE reporting

■ **Sales**

- Sales reporting

■ **Marketing**

■ **Audit**



- Invoice from Carpet Manufacturer to Retailer

- Multiple Carpet Products

■ Sq Ft to Sq Yd

Sample – Two line broadloom invoice (SY)

Projected Work Plan & Timeline

	JAN	FEB	MAR	APR	MAY	JUN	JUL
Business Requirements	■						
Design		■					
Development			■				
Functional Testing			■				
System Test				■			
User Verification				■			
Training				■			



Process for Assessment and Reporting

- Carpet Manufacturer will be adding Assessment of \$0.05/sq yd starting July 1, 2011
- Carpet Manufacturer will report sales and send Assessments to HAW on a quarterly basis
- HAW will consolidate reports and send funds to CARE quarterly
- HAW and/or CalRecycle may audit the process



Sustainable Funding for AB 2398



CARE Stewardship Plan Funding Process

- Abide by the Guiding Principles for the Implementation of plan to meet the goals and requirements of AB 2398
- Use the Sustainable Funding Options as a guideline for distributing funds to the Sustainable Funding Hierarchy.
- Review results quarterly, and make changes as needed to meet the goals of AB 2398, and to insure compliance with AB 2398 requirements.
- Report results quarterly or as needed to the CARE SFOC.



Guiding Principles

- **Maintain a carpet flooring industry that is both sustainable and viable**
- **Comply with Requirements of AB 2398**
 - Goals established in the plan shall, at a minimum, be equal to the goals established in the CARE MOU
- **Meet Goals of AB 2398 to Incentivize**
 - Growth of diversion of postconsumer carpets from landfills
 - Growth of recycling of postconsumer carpet
 - Recyclability of carpets
 - Market growth of secondary products made from postconsumer carpet
- **Achieve Economic Sustainability**
- **Utilize Stewardship Fund Management Hierarchy**



Funding Logistics

Proposed Funding: Growth Incentive

Year 1: \$0.06/lb (establish baseline)

Year 2: and beyond: \$0.06/lb for base
\$0.08/lb for growth

Example:

Year 1 process 100,000 lbs., paid \$6,000. $(100,000 \times \$0.06/\text{lb})$

Year 2 process 110,000 lbs., paid \$6,800. $(100,000 \times \$0.06/\text{lb} + 10,000 \times \$0.08/\text{lb})$

Year 3 process 150,000 lbs., paid \$9,800. $(110,000 \times \$0.06/\text{lb} + 40,000 \times \$0.08/\text{lb})$

Year 4 process 140,000 lbs., paid \$8,400. $(140,000 \times \$0.06/\text{lb})$

Funding Recipient: 100% to First-Level Processor

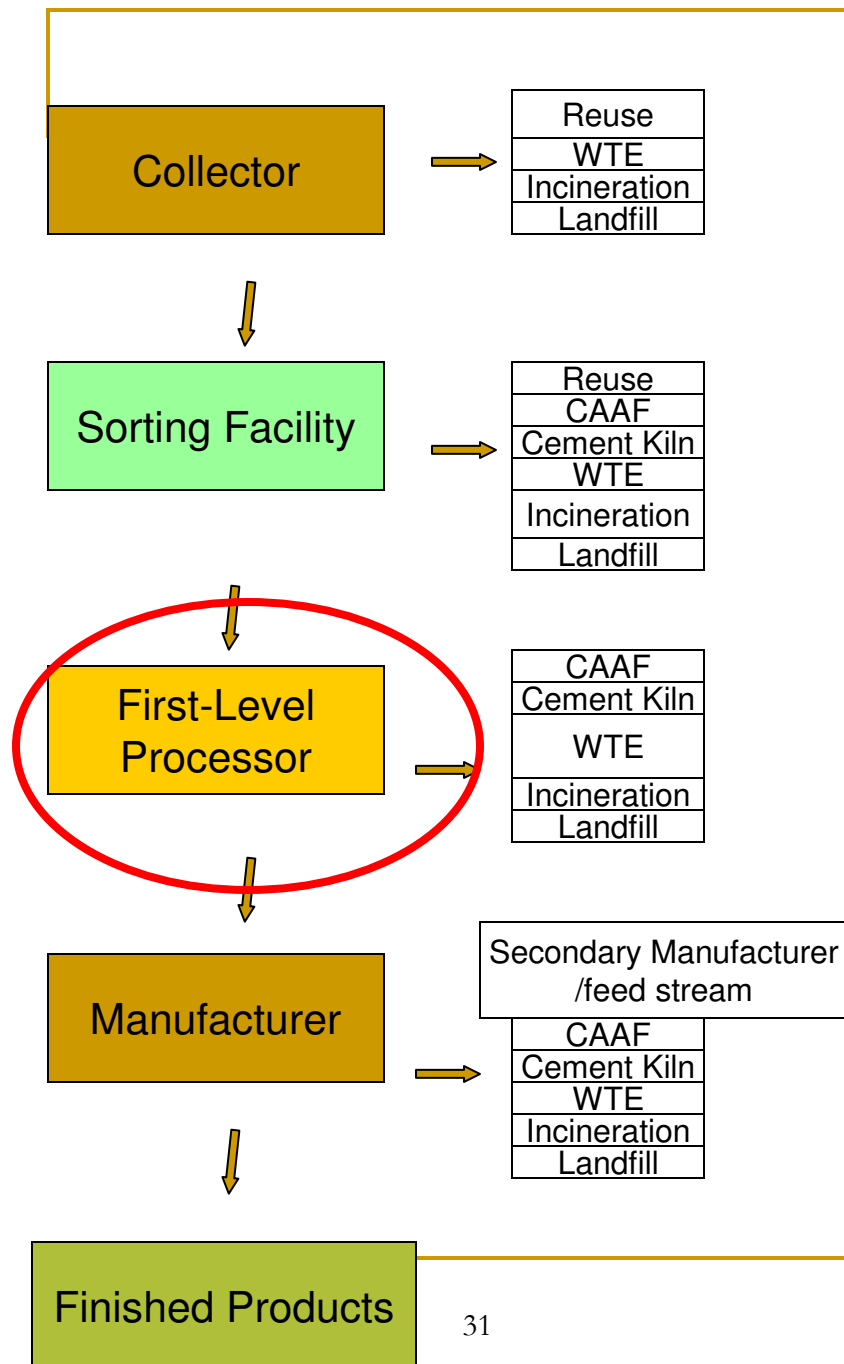
Viewed as a push – pull strategy

Expected Outcomes:

Insures the health of the base business, while stimulating growth.

Processor will pull product (feedstock) from upstream sources and push increase demand for recycled carpet materials through the end user/manufacturer by being able to negotiate more favorable pricing.

Paying for invoices paid; paying for what the processors are selling.



Examples:

- Dealers
- Installer
- Transfer Station

Examples:

- ID Carpet by Material Type
- Cut-to-Size to prepare for processing
- Baling

Examples:

- Shearing
- Shredding
- Hammer Mill

Examples:

- Pelletizing/Compounding/Densifying
- Carpet Fiber/Carpet Backing
- Filler/Carpet Filler
- Carpet Cushion
- Molded/ Extruded Products
- Injection Molded Products

Consumer Education and Outreach

Georgina Sikorski, CARE



Target Audiences

- Carpet Manufacturers
- Importers
- Distributors
- Commercial Dealers
- Retailers
- Consumers
- Carpet Recyclers



Manufacturer Awareness

- Insure that Carpet manufacturers are aware of AB 2398 and register
 - Letters sent to 85 non –CRI mill members

Floor Focus Ad, February, 2011

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Retailer Education

- Educate Mills' Salespeople
- Educate Retailers
- Webinar March 22

Trade Ad for Retailer Webinar

WHAT IS AB 2398? AND WHAT DOES IT HAVE TO DO WITH YOU?

The passage of AB 2398 in California means new responsibilities for carpet retailers. As of July 1, 2011, there will be a \$0.05/sq. yd. Carpet Stewardship Assessment fee placed on all carpet sold into the state of California. Retailers must include the \$0.05/sq yd Carpet Stewardship Assessment fee as an after-tax line item on the customer invoice starting July 1, 2011.

CARE will be hosting a webinar for salespeople and retailers on March 22 at 2 PM EST.

Register at
www.carpetrecovery.org/AB2398.php



Retailer Communications



**WHAT IS AB 2398?
AND WHAT DOES IT HAVE
TO DO WITH YOU?**

The passage of AB 2398 in California has ushered in a new era in carpet recycling. With it comes new responsibilities for carpet retailers. Here are some facts to get you prepared.

- California has passed a new law to increase the diversion and recycling of post-consumer carpet.
- As of July 1, 2011, there will be a \$0.05/sq. yd. Carpet Stewardship Assessment fee placed on all carpet sold into the state of California. Retailers must include the \$0.05/sq yd Carpet Stewardship Assessment fee as an after-tax line item on the customer invoice starting July 1, 2011.
- Those found in violation of the law will be fined \$1,000/day; up to \$10,000 per day if the violation is found to be intentional or negligent.
- For more information, Contact CARE at carpetrecovery.org or speak directly to the carpet manufacturers.

Visit www.carpetrecovery.org or call 706-428-2127



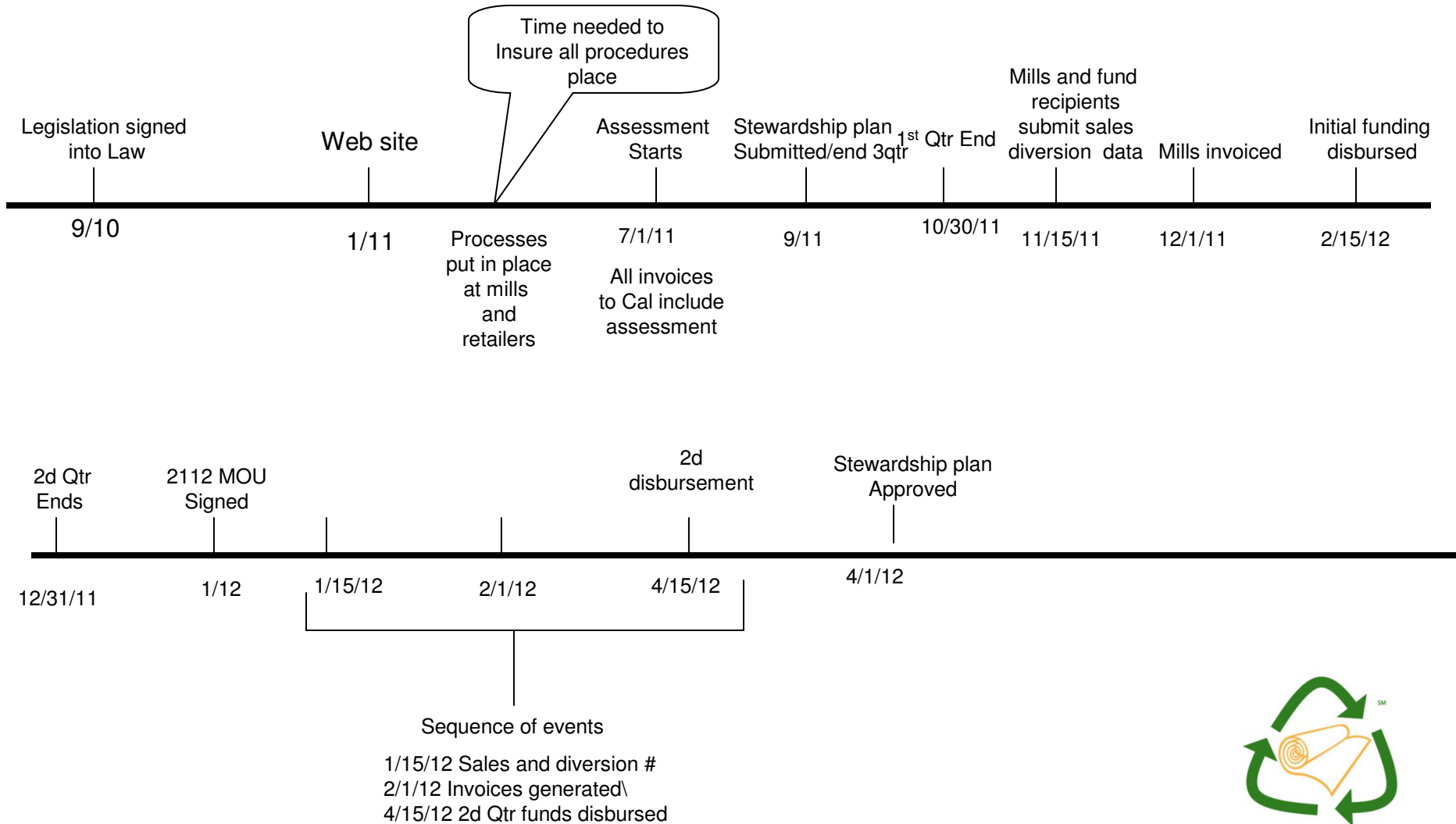
Tradeshow Placard

Tactics

- Retailer Tradeshow activities
- Trade Journal Articles and Interviews
- CRI Blogs
- Letters and Emails to Manufacturers and Retailers
- Webinars for Salespeople and Retailers
- Web page: <http://carpetrecovery.org/AB2398.php>
- CARE Annual Conference
- Signage and Consumer Flyers
- Tour of Carpet Manufacturing and Carpet Recycling Facilities



Next Steps



For More Information:

- ❑ http://info.sen.ca.gov/pub/09-10/bill/asm/ab_2351-2400/ab_2398_bill_20100930_chaptered.pdf
- ❑ www.carpetrecovery.org
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- ❑ FAQ for California AB 2398



Questions? Comments?

